



POWERMATTERS

<http://www.abag.ca.gov/services/power>

ABAG POWER Surges Ahead

Members Save on Electricity Purchases beginning January 1, 1998

When registration closed September 30, 64 local government agencies, representing more than 7,000 electric power accounts, had signed up for ABAG's electric power pool.

The founding members of ABAG Publicly Owned Energy Resources (POWER), the Joint Powers Agency that will oversee power purchases for its members, are in the process of hammering out the structure of the organization—finalizing its by-laws, electing officers, and forming committees. At its second board meeting on November 13, ABAG POWER will approve additional power purchases, finalize rates, and discuss meter purchases.

ABAG POWER will begin supplying electricity to its members as of January 2, 1998. Based on its arrangements with three energy suppliers, ABAG estimates the electricity bills of power pool members will be approximately 4 percent lower than those they would have received from PG&E. For its first year of operation, ABAG POWER has contracted with energy suppliers: Seattle City Light, PG&E Energy Services and Pacificorp. Arizona Public Service will serve as

the consolidated billing agent and Northern California Power Agency will provide schedule coordination and commodity management services. ABAG will issue monthly billing statements to ABAG POWER members, via its billing agent, which will include PG&E's transmission and distribution costs.

Member savings could be greater than initial projections. For example, ABAG's natural gas pool projected a 2.3 percent savings for its first year of operation, but realized 7 percent by the close of its fiscal year last June. However, even at current projections, the power pool stands to save nearly \$3 million on approximately \$55 million in energy expenditures in 1998. Member savings will vary depending upon their energy demands. For instance, the City of Hercules stands to save approximately \$9,000 in 1998, while the City of Oakland will reduce its energy costs by approximately \$140,000.

ABAG POWER's Board of Directors will decide shortly whether to allow new members to join mid-year, as of July 1, 1998, or annually, starting January 1, 1999.

Founding members of ABAG POWER:

Cities and Towns: Albany, Antioch, Arcata, Atherton, Benicia, Cloverdale, Cotati, Cupertino, Davis, Daly City, El Cerrito, Foster City, Gonzales, Half Moon Bay, Hercules, Hillsborough, Los Altos, Los Altos Hills, Menlo Park, Mill Valley, Millbrae, Milpitas, Monterey, Moraga, Newark, Oakland, Orinda, Oroville, Pacific, Patterson, Petaluma, Pinole, Pleasanton, Salinas, San Carlos, San Leandro, San Mateo, San Pablo, Santa Rosa, Saratoga, Sebastapol, Union City, Vacaville, Vallejo, Windsor, Winters.

Counties: Contra Costa, Alameda, Butte, Humboldt, Monterey, Napa, San Mateo, Santa Cruz, Sonoma.

Special Districts: East Bay Regional Park District, Golden Gate Bridge, Highway and Transportation District, Hayward Area Recreation District, Housing Authority of the County of Alameda, Los Trancos County Water District, Monterey Regional Water Pollution Control Agency, Regional Administrative Facility Corporation, South County Fire Authority, West County Wastewater District.

ABAG POWER'S TEAM MEMBERS

Energy Suppliers:



Seattle City Light, a department of the City of Seattle, is one of the nation's largest municipally-owned utilities. The utility produces 1,996 Megawatts (MW) of power from seven hydroelectric generating plants and maintains long-term contracts in the Northwest and treaty rights to power from British Columbia. Seattle City Light also owns 8 percent of a steam generating plant. In addition to its 2,500 miles of distribution lines and 646 miles of transmission lines, Seattle City Light owns a share of the Third AC Intertie between the Northwest and California, allowing the exchange and sale of power to and from California. Seattle City Light's average residential rate is 4.05 cents per kilowatt hour (kWh), compared to the national average of 8.22 cents per kWh.



PacifiCorp is the third largest electric utility in the West, serving 1.4 million retail customers through Pacific Power and Utah Power. It is also one of the nation's lowest-cost producers of electricity, with retail prices about 33 percent below the national average. PacifiCorp's key strengths are in fuel procurement, efficient power generation, transmission and distribution (They operate one of the nation's largest investor-owned high-voltage transmission systems), wholesale energy trading and innovative products and services. A global, diversified energy operation allows them to bring many benefits to our customers. And the strategic alliances they have formed with others have provided customers with options typically unavailable from the traditional utility of the past.



PG&E Energy Services, an unregulated subsidiary of PG&E Corporation, provides commercial and industrial customers competitively-priced natural gas and electricity plus comprehensive, customized services to manage and reduce their energy costs. Examples of

service offerings include discounted electricity and natural gas, regulatory and tariff consultation, site audits, energy efficiency retrofits, power quality solutions, billing options and other energy/information management programs.

With offices in over 20 major cities nationwide and affiliations with PG&E Corporation's other unregulated subsidiaries, PG&E Energy Services also provides access to a broad range of resources, from energy trading to power generation and natural gas transmission.

Consolidated Billing Agent:



Arizona Public Service (APS) is a progressive, competitively priced, full service energy provider that has been operating power plants and supplying electricity and related services including scheduling, metering and billing for more than 100 years. APS offers its retail customers a full spectrum of value added energy services combining technical expertise, consumption analysis, customer oriented pricing and consolidated billing and metering for multi-site customers. Currently, APS is providing billing services to several municipalities in Arizona.

Schedule Coordinator



The Northern California Power Agency (NCPA) is a public agency dedicated to creating value through joint action in the electric industry. Its members consist of 12 municipal electric utilities, 2 irrigation districts; a public utility district; a transit district; a port authority; and a rural electric cooperative. Since 1983, it has provided scheduling, system control and dispatch service for ten of its members, advising them on the acquisition of power resources for meeting firm power requirements while minimizing power supply costs. Beginning January 1, 1998, NCPA will provide these services to public entities outside its member base.

Hopeful Signs on Franchise Fees and Utility Taxes

When the California Public Utility Commission (CPUC) began deregulating the state's utility industry five years ago, stomachs began to twist in city halls and county administration suites.

If competition succeeds in driving down energy prices, local governments, like all consumers, stand to gain. But, if energy prices—and hence utility company gross receipts—fall, so will local franchise fees and utility tax revenues. In fact, the Legislature has already ensured this outcome by voting last year to mandate a 10 percent price reduction for residential and small commercial customers financed through Rate Reduction Bonds. Further complicating matters, if customers chose third party energy suppliers, local governments could lose those fees and taxes that the incumbent utility would have otherwise collected.

At least in regard to franchise fees, local governments can now breathe easier. In September, the Governor signed SB703, a bill, sponsored by Southern California Edison and supported by the League of California Cities, that provides a formula for calculating the surcharge that will be imposed on third party electric energy suppliers. Although existing law required the surcharge, it did not say how it should be calculated. The surcharge will be based on the weighted average price of electricity from the Power Exchange, the institution that beginning next year will establish market prices.

The surcharge will compensate local governments for at least a portion of their lost franchise fees. Two utilities—Edison in Southern California, PG&E in the Bay Area—have agreed to collect the surcharge and pass it on to local governments, as they have done historically with franchise fees. However, the utilities have declined to provide that service when it comes to utility taxes.

Unlike franchise fee rates, which are typically fixed in perpetuity, local governments can increase utility tax rates if revenues fall—albeit within the constraints imposed by Proposition 218. But, even if local governments are able to raise rates, they must collect them from a spate of energy suppliers whose presence may be invisible to the agency.

To facilitate that process, ABAG and the League of California Cities are urging PG&E to supply local governments with a list of energy suppliers doing business in their jurisdictions. In addition, the League intends to send a letter to third party suppliers next month, on behalf of cities that have utility taxes, asking the suppliers to cooperate in the collection and remittance of those taxes. As of 1996-97, 32 local governments in the Bay Area reported collecting utility taxes. In addition to energy, utility taxes can be applied to cable, water, and phone services, including pay and mobile phones.

In the meanwhile, local governments are advised to consult a legal expert to ensure that their existing utility tax ordinance defines energy charges in sufficient detail and breadth to accommodate new market realities. Also, local governments should be aware that electric industry deregulation goes into effect January 1, 1998. By late February-early March of next year, PG&E and/or energy service providers should be able to supply local governments with a list of customers who have opted to purchase power from third party suppliers.

Late-Breaking Meter News

In late October, the CPUC decided to lift the threshold for mandatory hourly-read meters from 20 kW to 50 kW maximum demand. This is great news for ABAG POWER members who are waiting to see which of their accounts will require new meters.

RECENT ACTIVITIES

CONFERENCE UPDATE

Power to the People:

Community Aggregation Options for Local Governments

ABAG's September 19 power conference, "Power to the People: Community Aggregation Options for Local Government," focused on the pros and cons of local governments acting as power aggregators for their communities. As of January 1, 1998, when deregulation of the electric power industry goes into effect, private companies and public agencies will have the opportunity to act as "aggregators," to buy power on behalf of a group of users.

The conference plenary sessions examined the options generated by the new competitive market for local governments, the economic, legal, and regulatory considerations that accompany the decision to serve as an aggregator, and the experiences of local governments that are pursuing this option. The presenters discussed the pros and cons of options ranging from sticking with PG&E to creating a municipal utility, and several hybrid variations in between.

ABAG intends to continue exploring the viability of local government aggregation, and will pass that information on to its members. ABAG has set up a study group to see whether the agency can help local governments serve private sector businesses.

POWER MATTERS is a Bi-Monthly Newsletter Published by the Association of Bay Area Governments for the Power Purchasing Pool.

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